

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6506

BILL NUMBER: HB 1180

NOTE PREPARED: Dec 19, 2012

BILL AMENDED:

SUBJECT: Homestead Standard Deduction.

FIRST AUTHOR: Rep. Heaton

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that the homestead of a married individual who lives in a separate principal place of residence other than the residence of the individual's spouse is eligible for the standard homestead deduction and other tax reductions for a homestead.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* Beginning with taxes payable in CY 2014, the granting of homestead status to additional homes would: (1) allow the homeowners to claim the standard and other homeowner deductions for those homes; and (2) make the homes subject to the 1% circuit breaker cap for homesteads rather than the 2% cap for nonhomestead residential property. The number of taxpayers who would be impacted by this provision is not known.

The additional deductions would remove assessed value from the tax base and shift part of the tax burden from the affected homeowners to all other property owners. The lower property tax cap could potentially increase revenue losses for taxing units where the property is located. The reduced net assessed value would also increase tax rates, possibly causing a further increase in circuit breaker losses for civil taxing units and school

corporations.

Background: Under current law, homesteads receive a standard deduction worth 60% of AV up to \$45,000. Homesteads also receive the supplemental standard deduction worth 35% on the first \$600,000 of net AV after the standard deduction plus 25% of the net AV that exceeds \$600,000. In addition, homestead property is subject to a 1% circuit breaker cap.

Under current law, a county auditor may not grant a standard deduction to an individual or a married couple if the individual or couple is claiming the deduction on two or more applications unless the property owned by the individual's spouse is located in another state.

Beginning with taxes payable in CY 2014 under this bill, couples that maintain separate residences in Indiana would qualify for the standard deduction and all related deductions on each of the two owner-occupied residences.

A property owner would have to file an affidavit containing:

- (1) The name of the county in which their spouse is also claiming a standard deduction; and
- (2) A statement under penalty of perjury that the individual and spouse maintain separate principal residences, that neither spouse has an ownership interest in the other's homestead, and that neither party has claimed a deduction for any property than their principal residence.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources:

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